Supreme Court, U.S.
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No.

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1997

ENTERTAINMENT RESEARCH GROUP, INC.,
a California corporation,
Petitioner,

VS.

GENESIS CREATIVE GROUP, INC.,
a Michigan corporation;

AEROSTAR INTERNATIONAL, INC.,
a South Dakota corporation,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the Ninth Circuit Court of Appeals may now promulgate a new and wholly different test for derivative copyright protection - different from the Copyright Act itself, different from the decisions of all other Circuits (including the Second Circuit, upon which the Ninth Circuit purported to base its new test), and different from other Ninth Circuit decisions, as well - which significantly impairs the ability of a holder of a derivative copyright to protect against its theft.

2. Whether the holder of a registered derivative copyright, who is also a party to a written Confidential Disclosure Agreement prohibiting disclosure of the copyrighted, secret, proprietary and valuable information, may lose that protection, afforded by contract, by way of later invalidation of its derivative copyright.

CORPORATE DISCLOSURE UNDER RULE 29.6

There is no parent or subsidiary company of Petitioner.

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IN THE SUPREME COURT OF THE UNITED STATES

October Term, 1997

ENTERTAINMENT RESEARCH GROUP, INC.,
a California corporation, *Petitioner,*

v.

GENESIS CREATIVE GROUP, INC.,
a Michigan corporation;
AEROSTAR INTERNATIONAL, INC.,
a South Dakota corporation, *Respondents.*

PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

Entertainment Research Group, Inc. ("ERG") respectfully petitions for a Writ of Certiorari to review the Judgment and Opinion of the United States Court of Appeals for the Ninth Circuit.

OPINIONS BELOW

The Opinion of the Court of Appeals is reported at 122 F.3d 1211 (9th Cir. 1997) and is also attached in the Appendix. The Opinion of the District Court is reported at 853 F.Supp. 319 (N.D. Cal. 1994). The Order denying the Petition for Rehearing and the

Suggestion for Rehearing en banc was filed October 15, 1997 and is attached in the Appendix.

JURISDICTION

The Court of Appeals entered its Opinion on August 18, 1997 and the Petition for Rehearing and the Suggestion for Rehearing en banc was denied by way of the Order filed October 15, 1997, attached in the Appendix. The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

STATUTORY PROVISIONS INVOLVED

The Copyright Act, specifically, 17 U.S.C. §§ 101, 103.

STATEMENT OF FACTS

Petitioner ERG has created, manufactured and sold, over the past sixteen (16) years, walk-around inflatable costumes, securing derivative copyright protection for its creations by way of copyright registrations, as provided by the Copyright Act, 17 U.S.C. §103.

In September of 1990, Respondent Genesis Creative Group, Inc. (herein "Genesis") signed a written Confidential Disclosure Agreement promising to keep secret the proprietary, copyrighted, and valuable secret information to be given to it by ERG, upon signature of the Confidential Disclosure Agreement by Genesis. Genesis thus agreed that the information was proprietary, copyrighted, secret and had great value to ERG. Genesis was then hired by ERG as its exclusive manufacturer's representative and, thus, its agent, to sell ERG's copyrighted, inflatable walk-around costumes. After doing over $650,000 in business, over the next

two (2) years, with each other, Genesis then essentially "sold out" ERG by claiming there was no "contract" and, approximately seven (7) months before telling ERG that there "was no contract", bringing the copyrighted walk-around inflatable costumes and secret, proprietary information of ERG to Respondent Aerostar International, Inc. (herein "Aerostar"), so that Aerostar could thus copy ERG's copyrighted costumes and thus manufacture, for sale, along with co-conspirator Genesis, walk-around inflatable costumes, as well as clean and maintain those costumes, for substantial fees - in exactly the same fashion as ERG had done previously for some sixteen (16) years. It is undisputed that, prior to Genesis bringing the secret information and copyrighted costumes to Aerostar, Aerostar had never manufactured a walk-around inflatable costume, ever.

In its Amended Complaint ERG asserted several Causes of Action. This Petition deals only with the issues of derivative copyright protection and the protection that should have been afforded ERG in accordance with the written Confidential Disclosure Agreement - which admittedly was shown to Aerostar, by Genesis - long before any inflatable costumes whatsoever were manufactured by Aerostar. Genesis, being bound by the Confidential Disclosure Agreement, had brought in Aerostar to do what it, otherwise, could not do, in violation of the Confidential Disclosure Agreement.

Summary Judgment was awarded by the Magistrate Judge (sitting by stipulation between the parties), and the Ninth Circuit Court of Appeals affirmed that Judgment. Both Opinions by the Magistrate Judge and the Ninth Circuit Court of Appeals were published. The issues raised are significant.

REASONS FOR GRANTING THE PETITION

The issue of derivative copyright protection, and the related

protection (by a holder of a derivative copyright) of confidential and proprietary - and extremely valuable - information, requiring a large expenditure of capital, is an extremely important issue. Indeed, the entire field of copyright protection is an important, burgeoning field and this decision, if allowed to stand, will undermine and bring into question, (and certainly foster litigation regarding), the copyrightability of some otherwise common derivative works, including theatrical and motion picture works based upon copyrighted literary works, literary translations based upon copyrighted literary works, as well as software programs ported from one operating system or hardware platform to another, to mention just a few industries affected. In addition, any holder of a derivative copyright, thinking that it has protection, in addition, by way of a written non-disclosure agreement, is now greatly at risk. By way of further example, a translation of a literary work could not, under this new test, be copyrightable work because it would be entirely "functional", in that it intentionally replicates the underlying work. A play, based upon a novel, could not, under this new test, be a copyrightable derivative work because the differences between it, and the novel, are attributed only to the "functional" necessities of live stage performance. Any and all changes required to "create" a Windows 95 version of a Macintosh applications program would, under this new test, be deemed "trivial" because these changes are entirely "functional" and, therefore, non-copyrightable, if this decision is allowed to stand.

I. The Test Promulgated by the Ninth Circuit Conflicts with the Copyright Act Itself, Conflicts with Case Law in Every Other Circuit, Including the Ninth Circuit, Previously, and Creates a New Test to Secure Derivative Copyright Protection that is Nowhere Enunciated in the Copyright Act or

by any Other Circuit.

While purporting to follow the two-prong test enunciated by the Second Circuit, the Ninth Circuit has created a wholly new and different test - injecting a new threshold question - than the test of the Second Circuit, announced, (but followed by no other Circuit other than, arguably, the Seventh Circuit), in Durham Industries, Inc. v. Tomy Corp., 630 F.2d 905 (2d Cir. 1980). The new test, however, is not the test enunciated in Durham, as set out below, in detail.

Under the Copyright Act, a derivative work is a work "based upon one or more preexisting works, such as a translation. . . or any other form in which a work may be recast, transformed or adapted." 17 U.S.C. §101. A derivative work is original, and thus copyrightable, if its author "contributed something more than a 'merely trivial' variation [of the underlying work], something recognizably 'his own'." E.g., Sid & Marty Krofft Television v. McDonald's Corp., 562 F.2d 1157, 1163 n.5 (9th Cir. 1977). This principle has been recognized by every Circuit, including the Ninth Circuit, previously, and even, purportedly, by this Opinion. Entertainment Research Group, Inc. v. Genesis Creative Group, Inc., 122 F.3d 1211 (9th Cir. 1997). The Opinion acknowledges that a derivative work need only contain "more than trivial" originality to qualify for copyright protection. Id. at 1220. Thus, the test required by the Copyright Act, and supported by case authority, to determine whether a derivative work is original, is to simply determine whether there are aspects of the work that are recognizably from the author of the derivative work itself. This relatively low threshold standard applies to all derivative works whether or not the derivative works are also sculptural works, as defined in the Copyright Act.

The Ninth Circuit has now created a brand new test which is fundamentally inconsistent with the "minimal degree of creativity"

requirement set forth in the Copyright Act itself and also as mandated by this Court in Feist Publications Inc. v. Rural Telephone Services Co., Inc., 499 U.S. 340, 362 (1991), and in numerous other opinions, both within the Ninth Circuit and within every other Circuit, as well, including the Second Circuit, as set out below.[1]

Treating this derivative copyright issue as essentially a "case of first impression", the Panel at p.1219, stated that they believed that the Ninth Circuit had not "previously had occasion to provide much guidance with regard to the copyrightability of derivative works." In so stating, however, the Panel flatly ignored existing precedent[2] in the Ninth Circuit and has overruled that precedent, accordingly, sub silentio, and has, in addition, promulgated a brand new and impermissible test, in contravention of the law as it is found in any other Circuit, as well.[3]

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[1]As Feist put it, a work need only "possess some creative spark, 'no matter how crude, humble or obvious' it might be." Feist, 499 U.S. at 345 (quoting Nimmer, Nimmer on Copyright (1990 ed.) at §1.08[c][1]). In the Court's words, "[a]nyone can copyright anything, if he adds something original to its expression." Kamar International, Inc. v. Russ Berrie & Co., 657 F.2d 1059, 1061 (9th Cir. 1981).

[2]National Theme Productions v. Jerry B. Beck, Inc. 696 F. Supp. 1348, 1352 (S.D. Cal 1988)(holding costumes to be copyrightable); Doran v. Sunset House Distributing Corp., 304 F.2d 251 (9th Cir. 1962)(holding a Santa Claus figure to be copyrightable); Kamar, supra, among others.

[3]The Opinion, at p.1220, states that the "principles underlying" the Durham test have been followed and approved by "many other courts". That statement is misleading. The cases cited in the Opinion include a Seventh Circuit case which does not, upon a close reading of that case, support the Durham reasoning, as

As stated above, the Ninth Circuit purported to base its ruling on a 1980 decision from the Second Circuit, Durham. The new test, however, is not the test stated in Durham. The Ninth Circuit has now established a brand new test which requires differing standards, applicable to those seeking derivative copyright protection - depending upon whether the derivative claim relates to (a) previously copyrighted work or (b) work in the public domain, and thus not copyrighted by anyone previously. Durham itself does not provide any such threshold test or distinction, nor require any such distinction. Indeed, Durham itself, without citing any supporting case law, took the entirely innocuous and unobjectionable principle embodied in 17 U.S.C. §103[4] which, on its face, applies only to preexisting works, and transformed it into an additional test (or "prong") for what sorts of variations could qualify for protection as derivative works. There is no statutory, logical or copyright policy basis for the imposition of any additional test. If allowed to stand, this brand new test will add an extra, overlapping layer of examination to what is a relatively simple and straightforward originality inquiry, heretofore, and introduce an entirely unnecessary element of speculation and subjectivity, thereby

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claimed, as well as a few other cases - while ignoring established precedent in the Ninth Circuit. It is noteworthy that Durham was first announced in 1980 and has been followed by only a handful of cases but there is, to be sure, a split in the Circuits, at present.

[4]Section 103 provides that the copyright in a derivative work "is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material." 17 U.S.C. §103(b) (emphasis added). The purpose and plain meaning of this language is to ensure that the copyright in a preexisting work will not be affected by the creation of a derivative work.

injecting, by definition, a huge element of risk with regard to whether the actual holder of valid copyright protection, such as ERG in this case - having spent substantial sums of money to create that derivative copyright work and to register it with the Copyright Office - can enforce the copyright protection that the holder thought it had, by way of the copyright registration secured.

The only support cited for this new and erroneous test is a reference to the Second Circuit's misguided policy pronouncement on originality, set out in Durham. However, at least two post-Durham Ninth Circuit decisions, reported long before the instant case, have dealt with the level of originality required for derivative works, and neither saw fit to adopt Durham's second prong.[5] Instead, the originality inquiry in both North Coast Industries v. Jason Maxwell, Inc., 972 F.2d 1031, 1034 (9th Cir. 1992) and Kamar, supra, was based solely on the "non-trivial" difference requirement (the first prong of Durham). North Coast, 972 F.2d at 1033 and Kamar, 657 F.2d at 1061.[6] Because at least two binding precedents in the Circuit had applied a different test for determining the originality of derivative works than had Durham, the Panel, in

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[5]As stated by Durham, this second requirement is that the scope of protection afforded a derivative work "must not in any way affect the scope of any copyright protection in [the] preexisting material" upon which it was based. Durham, 630 F.2d at 909. This "prong" adds nothing as this second "prong" is included, by definition, as this requirement is already stated in the Copyright Act itself.

[6]Indeed, the North Coast court was, importantly here, fully aware of Durham, having cited it on a different issue. North Coast, 972 F.2d at 1034.

this case, was not free to adopt Durham's second prong, and its Opinion creates yet another conflict (intra-circuit) as well as a conflict with all other Circuits, in creating an entirely new test, beyond the test set out in Durham.

The Ninth Circuit was clearly attempting to protect the rights of the holder of an underlying copyright from a claim by a derivative copyright holder, that might arise. Such a goal is, of course, laudable. However, by protecting, in this fashion, the rights of the underlying copyright holder, the Ninth Circuit has truly ignored the rights of ERG that follow from its admittedly held derivative copyright registrations of its costumes. A simple answer to the concern by the Ninth Circuit should be obvious - as was pointed out, but ignored: Anyone can create, from scratch, from information provided by the holder of the underlying copyright, in the same fashion as ERG has done, walk-around inflatable costumes, for profit, including, of course, the holder of the underlying copyright. In other words, anyone can create - if talented and experienced enough - a walk-around inflatable costume for such characters as the Pillsbury Dough Boy, Cap'n Crunch, Toucan Sam and the other myriad of costumes created, manufactured and sold by ERG but, as ERG holds a derivative copyright to the costumes themselves, such a creator is not free to copy or "reverse-engineer" the copyrighted costumes created by ERG. Indeed, to hold otherwise, as the Panel has now done, now calls into question any copyright of any pattern for sewing anything, including wearing apparel or, in this case, costumes! There is, in reality, no potential threat to the holder of the underlying copyright to the characters, accordingly, or to somehow afford ERG a "pseudo-monopoly", as opined by the Ninth Circuit. However, the Opinion, if allowed to stand, would erode and seriously damage the rights of all derivative copyright holders from this point, forward.

II. Given the Opinion by the Ninth Circuit, it is Extremely Problematic

and Difficult for a Holder of Confidential, Secret and Proprietary Information - which may Include a Derivative Copyright Properly Sought and Registered - from Protecting that Information from Theft.

Derivative copyright protection is squarely at issue in this case as well as the application by the Ninth Circuit of an erroneous tort standard to ERG's claim for breach of the Confidential Disclosure Agreement that is fundamentally inconsistent with long-standing Ninth Circuit construction of California law and would operate as a dangerous and chilling precedent with regard to protecting secret, confidential and proprietary information, if allowed to stand. The Ninth Circuit departed from established Ninth Circuit law, treating ERG's breach of contract claim, instead, as a tort claim for breach of confidence, thereby requiring ERG, and any holder of a claim for secret and proprietary information, to meet a significantly higher standard applicable to such a tort claim. The Ninth Circuit, applying California law, applies a different set of standards to a claim for breach of a confidentiality contract than it does to a claim under a "breach of confidence" tort. Cf. Aliotti v. R. Dakin & Co., 831 F.2d 898, 902 (9th Cir. 1987) (setting forth the standard for breach of an implied contract), with Aliotti, 831 F.2d at 903 (summarizing the separate and distinct standard applicable to the "breach of confidence" tort). Of great significance here is that while the "confidential and novel" requirement can be an element of a tort claim, it is not part of a claim based upon a contract. Id. at 902-03.[7]

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[7]See Faris v. Enberg, 97 Cal. App. 3d 309, 323 (1979) (listing the novelty element as one of several factors from which a confidential relationship may be inferred for purposes of the tort theory).

In its Opinion, the Ninth Circuit analyzed ERG's third cause of action under the tort theory of cases, which as the Opinion itself states, create "'an obligation in law where in fact the parties made no promise.'" 122 F.3d at 1227 [quoting Fink v. Goodson-Todman Enterprises, Ltd., 9 Cal.App.3d 996, 1010 (1970) (citation omitted)]. However, the Ninth Circuit overlooked the undisputed fact that the parties had made an express agreement by way of the Confidential Disclosure Agreement signed by ERG and Genesis. Keeping in mind that Summary Judgment was granted, the parties did not dispute the existence, or terms, of this written agreement. Where a receiving party has expressly agreed to maintain the confidentiality of disclosed information, the disclosing party need not prove that the information is confidential or novel to receive protection. Rather, "[e]ven though the idea disclosed may be 'widely known and generally understood' [citation], it may be protected by an express contract providing that it will be paid for regardless of its lack of novelty." Blaustein v. Burton, 9 Cal.App.3d 161, 178 (1970) (quoting Desny v. Wilder, 46 Cal.2d 715, 733 (1956) (citations omitted).

Even if a novelty or confidentiality requirement were somehow pertinent to ERG's third cause of action, the Ninth Circuit erroneously applied, (reasoning backward from its conclusion that ERG is entitled to no derivative copyright protection), that legal standard in concluding that information ERG disclosed to Genesis was neither novel nor confidential. The Ninth Circuit seems to feel, given that it held that ERG did not hold any copyright protection, that proprietary and secret information, designated as such, cannot be allowed to stand - a dangerous precedent.

It is, however, black letter law in California that "[a]n invention may be placed in public use or on sale without losing its

secret character." Sinclair v. Aquarius Electronics, Inc., 42 Cal.App.3d 216, 226 (1974).[8] Rather, under the trade secrecy laws (which impose a confidentiality requirement similar to the one applicable under the breach of confidence tort), whether the public sale of a product necessarily reveals its underlying secrets is a question of fact. As the Court observed in Clark v. Bunker, 453 F.2d 1006 (9th Cir. 1972), secrecy protection is not dissipated by the occurrence of "sales where the details [of the product] are not readily apparent from inspection of what is sold, or the purchasers do not disclose those details." Id. at 1010.

As the court stated in Richardson v. Suzuki Motor Co., Ltd., 868 F.2d 1226, 1243 (Fed. Cir.), cert. denied 493 U.S. 853 (1989), "Ninth Circuit law upholds trade secret status even had the same information been obtainable from other sources." Id. Accordingly, it is immaterial what [the defendant] could have done, for it chose to use [the plaintiff's] information, which it obtained under restraint." Id. at 1245.

The Opinion departs from established Ninth Circuit precedent holdings dealing with the protection afforded a holder of proprietary, secret and valuable information that is also believed to be copyrighted and, taken together with the brand new copyrightability test promulgated by the Ninth Circuit, below, makes protection of confidential, proprietary and secret information highly questionable and eliminates the protection otherwise affordable to a valid copyright holder.

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[8]See also Vacco Industries, Inc. v. Van den Berg, 5 Cal.App.4th 34, 50 (1992) (whether or not "the products produced by [plaintiff] fully disclosed the 'trade secrets' used to produce them... was a disputed factual issue," which was ultimately decided in the negative).

CONCLUSION

The Petition for a Writ of Certiorari should be granted.

RESPECTFULLY SUBMITTED,

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